Supreme Court, U.S.
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No. 96-164

In The

Supreme Court of the United States

October Term, 1995

SEA GULL LIGHTING, INC.,

Petitioner,

v.

HYDRAMATIC PACKING CO., INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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CORPORATE DISCLOSURE UNDER RULE 29.6

Hydramatic Packing Co., Inc. is a wholly privately-owned company. It has no parent companies and no non-wholly-owned subsidiaries.

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Summary of Argument

Sea Gull's petition skillfully recasts the facts to create the illusion that it is innocent of any wrongdoing in this case, and that this case is of sufficient importance to warrant consideration by this court. The essential fact is that but for Sea Gull's direct infringement of the Cover patent, by making, using, and selling the lighting fixture and insulation combination claimed in that patent, Hydramatic would not have had any liability as a contributory infringer for making Sea Gull insulation parts to Sea Gull's specifications. And, if Sea Gull had done what was right, and what the UCC required, i.e., defended Hydramatic at the start of the patent infringement case, Sea Gull would not be before the bar of this court seeking to escape responsibility for the situation it created. As will be discussed, this case of first impression was properly decided by the Federal Circuit and does not involve an important federal question that needs to be settled.

Hydramatic's Counter-Statement of the Case

The parties stipulated to the facts in the district court. Those facts are incorporated in the district court's opinion set forth in Sea Gull's petition beginning at A15. From those stipulated facts, Hydramatic presents its statement of the case.

Beginning as early as 1983, Cover, the plaintiff-patentee in the case below, worked with Sea Gull to develop multi-layered laminated foil and fiberglass insulation that would enable Sea Gull's lighting fixtures to

pass Underwriter Laboratories' (UL) tests [A21,S43]. To this end, Sea Gull provided fixtures to Cover for testing [A21,S43]. Cover had discussions with Michael Hirsch, Vice President of Sea Gull, and he met with Sea Gull's engineer Snehal Shaw [A21,S43].

On January 21, 1986, Cover entered into an exclusive license arrangement with a company called Pacor to commercialize the Cover Patent in suit [A19,S35]. Pacor obtained exclusive rights to manufacture multi-layer laminated batts of thermal insulation for use in lighting fixtures [A19,S35]. Thereafter, Pacor began to supply multi-layered batts of insulation to Sea Gull for installation in its fixtures. Pacor did not mark the insulation with the number of the Cover Patent [A24,S56]. Pacor's sale of such insulation to Sea Gull continued until late 1993 when the insulation was no longer required.

Sea Gull has been a customer of Hydramatic for a long time. Since at least 1975, Hydramatic salesmen routinely called on Sea Gull to solicit business [A17,S17]. As a result of such solicitations, Hydramatic would be provided with Sea Gull drawings and specifications in order to quote prices for particular parts [A20;S39-40].

Sea Gull is a relatively large manufacturer of lighting fixtures [A17,S15]. Sea Gull designed insulation batts identified as Sea Gull part nos. 6254 and 6255, and one went into each lighting fixture Sea Gull sold [A17; S19,20]. In 1986, Sea Gull supplied Hydramatic with drawings for Sea Gull part no. 6254; however, Sea Gull did not begin to order that part number from Hydramatic until July 1988 [A17;S21,22]. Rather, these and similar

insulation parts were purchased by Sea Gull from Pacor during this time frame.

In 1987, Sea Gull had sought to obtain Sea Gull part no. 6254 from All Fabrications, Inc. (All Fab), but All Fab refused to produce the part for Sea Gull because of a "patent problem" [A21,22;S45-47]. The reason for All Fab's refusal was that Cover and his attorney had written letters to All Fab advising them of his patent and the possibility of infringement.

Armed with this knowledge of a patent problem, but without informing Hydramatic, Sea Gull began to order Sea Gull part no. 6254 from Hydramatic in July 1988 [A18,S22]. Hydramatic had produced a laminated insulation batt composed of metal foil and fiberglass in the 1970's [A20,S42]. The drawings provided by Sea Gull for its parts seemed quite similar to this previously made product [A21,S42]. Consequently, the Sea Gull drawings, which did not include any indication of a possible patent, raised no question by Hydramatic as to a possible patent problem [A21,S42]. Hydramatic produced Sea Gull part no. 6254 from that time until late 1993, when Sea Gull stopped buying the part [A18,S24]. Almost 2,000,000 Sea Gull part no. 6254 items were sold [A18,S25]. In addition, almost 1,000,000 Sea Gull part no. 6255 items were sold over a slightly shorter time frame [A18,S29].

In the relevant time frame, Sea Gull sold approximately 3,000,000 lighting fixtures containing such batts [A18,S30]. At an average price of at least $4.00 per fixture, Sea Gull's total fixture sales amounted to at least $12,000,000 [A18,S31]. In contrast, Hydramatic's total sales of part nos. 6254 and 6255 to Sea Gull over the

relevant time frame amounted to $690,000 with an approximate profit to Hydramatic of $50,000.

In 1989, Cover learned that Sea Gull was not obtaining all of its requirements for multi-layered insulation parts from Pacor, Cover's exclusive licensee. In an effort to force Sea Gull to stop buying from an unauthorized source (Hydramatic), Cover wrote a letter to Sea Gull [A23-24;S55]. This letter was noted by the Federal Circuit in its opinion, the portion quoted stating [A3,4]:

> "To purchase these patented parts from a *known* violator [Hydramatic] of the patents is in itself a violation of the patents, and I trust that your company would not have intentionally done so."

At about the same time Cover wrote to Sea Gull, he also wrote letters to Hydramatic. Hydramatic did not respond to those letters because it believed that they were mistakes on the part of Cover [A22,23;S51,52]. Hydramatic was not making the part number referenced in Cover's June 9 letter, and Cover's attorney's October 9, 1989 letter simply referred to a multi-layer laminated insulation product [A22,23;S51,52]. Hydramatic had made such a product many years before for The Budd Company in Philadelphia [A21,22;S42].

Hydramatic heard nothing more about the matter from Cover until the Cover Patent again surfaced in 1993 when Sea Gull discussed with Hydramatic the manufacture of another Sea Gull part number: 6260. For the first time, Sea Gull raised with one of Hydramatic's salesman the existence of a possible patent problem regarding this particular part number.

In December 1993 Cover filed a complaint for patent infringement against both Hydramatic and Sea Gull [A15,S2]. In essence, Cover's action against them was based upon direct infringement by Sea Gull for making, using, and selling lighting fixtures which incorporated insulation parts obtained from Hydramatic, and contributory infringement by Hydramatic as a result of having produced to Sea Gull's specifications the insulation parts Sea Gull used in its fixtures.

In January 1994, Sea Gull took the position that the litigation was Hydramatic's own responsibility [A16,S8]. In February 1994, Hydramatic, through its counsel, outlined Hydramatic's right to indemnification citing the relevant section of the UCC [A16,S9].

Hydramatic thereafter filed a cross-claim against Sea Gull seeking indemnification under UCC §2-312(3) [A16,S11]. The amount sought included $175,000 incurred in settlement of the patent damages claim brought by Cover, and $100,000 in attorneys' fees to defend the patent infringement case [A18,19;S32-34]. Sea Gull settled with Cover at an early date for $75,000 [A19,S32]. This left as the only issues remaining for trial Hydramatic's UCC cross-claim against Sea Gull, and Sea Gull's cross-claim against Hydramatic.

The district court ruled that Hydramatic's entire UCC cross-claim (including the $100,000 for attorneys' fees) was preempted by federal patent law. As to Sea Gull's cross-claim, the district court stated that "No valid theory supports Sea Gull's cross-claim against Hydramatic" [A14,FF10].

On appeal, the Federal Circuit reversed and remanded the case finding no federal preemption. Sea Gull has obtained a stay of further proceedings in the district court pending this Court's decision on Sea Gull's petition.

Argument

Sea Gull knew all about Cover and his patent from the first moment its engineer designed Sea Gull part nos. 6254 and 6255 for use in Sea Gull lighting fixtures, but by continuing to argue lack of notice and absence of liability for patent infringement damages, and hence federal preemption of UCC §2-312(3), Sea Gull seeks to avoid all responsibility for the infringement situation it created. Yet, the factual situation in this case is precisely that contemplated by the UCC. It provides the only recourse that a parts' supplier has to protect itself against liability for patent infringement caused by the parts' designer, and the Federal Circuit properly analyzed this court's precedents and found no federal preemption.

This case does not present an important federal question that warrants the court's attention.

The petition does not point to any conflict among the circuits or to any conflict with decisions of this court. Rather, this is simply a case of first impression involving a unique set of facts. The Federal Circuit properly analyzed the federal preemption issue in light of this court's precedents, and there are no compelling reasons for this court to review the Federal Circuit's decision.

The Federal Circuit specifically considered this court's precedent with respect to federal preemption, namely: (1) Explicit preemption; (2) Field preemption; and (3) Conflict preemption, and found that none applied to the particular facts of this case.

Sea Gull argues that the Federal Circuit's views on the federal preemption issue raised in this case are wrong; that they would be followed by other Federal Circuit panels; and that since the Federal Circuit is the court of last resort in patent cases, "there will never be a conflict in the circuits". The argument is fallacious.

The Federal Circuit is not the only appellate court in which federal preemption and UCC indemnification issues such as presented in this case could arise in the future. For instance, the issue could again arise in a non-patent case in which suit is brought against only a parts' supplier that, after making appropriate indemnification demands against the parts' designer, settles the case and thereafter, in a separate case, sues for indemnification under UCC §2-312(3) in a federal district court (assuming diversity and amount in controversy), or sues in a state court. In this scenario, there is the possibility of a conflict with the Federal Circuit should other federal appellate courts, or state appellate courts, not follow the Federal Circuit's holding on the preemption issue. Thus, contrary to Sea Gull's assertion, the Federal Circuit's ruling in the present case is not necessarily the final word on the federal preemption issue even in an identical factual setting that is simply litigated in a procedurally different manner.

Finally, Sea Gull argues that this case is important because of its impact on "potentially millions of business transactions specifically in issue in this case". In actuality, this case presents a set of facts which make it unique. The facts of this case do not appear ever to have arisen during the 30 plus years in which UCC §2-312(3) has been in effect in nearly every state, and they may never occur again. Moreover, it is more likely than not, that this case could be distinguished as precedent from any subsequent case. The case was correctly decided by the Federal Circuit, and that decision should not be disturbed because it is just, and because there is no pressing need for this Court to consider it.

Conclusion

The petition does not present an important federal issue that needs to be decided by this court. This is simply a case of first impression involving a unique factual situation that arose in a unique procedural setting. The writ of certiorari should be denied.

Respectfully submitted,

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